

# House Study Bill 737

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
COMMERCE/INSURANCE  
DIVISION BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to various matters under the purview of the  
2 insurance division of the department of commerce including  
3 uniform securities; duties of the insurance division including  
4 a consumer advocate and rate reviews; confidential  
5 information; examinations; insurance trade practices;  
6 insurance fraud; the Iowa life and health insurance guaranty  
7 association; viatical settlement contracts; general agents and  
8 third-party administrators; life insurance companies; health  
9 maintenance organizations; utilization and cost control;  
10 external review of health care coverage decisions; insurance  
11 other than life; workers' compensation liability insurance;  
12 consolidation, merger, and reinsurance; cemetery and funeral  
13 merchandise and funeral services; and cemeteries, making  
14 appropriations, and providing an effective date.  
15 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
16 TLSB 5431XD 82  
17 av/nh/5

PAG LIN

1 1 Section 1. Section 22.7, Code Supplement 2007, is amended  
1 2 by adding the following new subsection:  
1 3 NEW SUBSECTION. 60. Information obtained and prepared by  
1 4 the commissioner of insurance as provided in section 507.14.  
1 5 Sec. 2. Section 502.201, subsection 9E, Code 2007, is  
1 6 amended to read as follows:  
1 7 9E. VIATICAL SETTLEMENT INVESTMENT CONTRACTS. A viatical  
1 8 settlement investment contract, or fractional or pooled  
1 9 interest in such contract, provided any of the following  
1 10 conditions are satisfied:  
1 11 a. The assignment, transfer, sale, devise, or bequest of a  
1 12 death benefit of a life insurance policy or contract is made  
1 13 by the viator to an insurance company as provided under Title  
1 14 XIII, subtitle 1.  
1 15 b. The assignment, transfer, sale, devise, or bequest of a  
1 16 life insurance policy or contract, for any value less than the  
1 17 expected death benefit, is made by the viator to a family  
1 18 member or other person who enters into no more than one such  
1 19 agreement in a calendar year.  
1 20 c. A life insurance policy or contract is assigned to a  
1 21 bank, savings bank, savings and loan association, credit  
1 22 union, or other licensed lending institution as collateral for  
1 23 a loan.  
1 24 d. Accelerated benefits are exercised as provided in the  
1 25 life insurance policy or contract and consistent with  
1 26 applicable law.  
1 27 e. The assignment, transfer, sale, devise, or bequest of  
1 28 the death benefit or ownership of a life insurance policy or  
1 29 contract made by the policyholder or contract owner to a  
1 30 viatical settlement provider, if the viatical settlement  
1 31 transaction complies with chapter 508E, including rules  
1 32 adopted pursuant to that chapter.  
1 33 Sec. 3. Section 502.202, subsection 9, Code 2007, is  
1 34 amended to read as follows:  
1 35 9. SPECIFIED EXCHANGE TRANSACTIONS. A transaction in a  
2 1 security, whether or not the security or transaction is  
2 2 otherwise exempt, in exchange for one or more bona fide  
2 3 outstanding securities, claims, or property interests, or  
2 4 partly in such exchange and partly for cash, if the terms and  
2 5 conditions of the issuance and exchange or the delivery and  
2 6 exchange and the fairness of the terms and conditions have

2 7 been approved by the administrator after a hearing by a court;  
2 8 by an official or agency of the United States; by a state  
2 9 securities, banking, or insurance agency; or by any other  
2 10 government authority expressly authorized by law to grant such  
2 11 approvals.

2 12 Sec. 4. Section 502.402, subsection 2, paragraph a, Code  
2 13 2007, is amended to read as follows:

2 14 a. An individual who represents a broker-dealer in  
2 15 effecting transactions in this state limited to those  
2 16 described in section 15(h)(2) of the Securities Exchange Act  
2 17 of 1934, 15 U.S.C. } ~~78(o)(2)~~ 78(h)(2).

2 18 Sec. 5. Section 502.410, subsection 2, Code 2007, is  
2 19 amended to read as follows:

2 20 2. AGENTS. The fee for an individual is ~~thirty~~ forty  
2 21 dollars when filing an application for registration as an  
2 22 agent, a fee of ~~thirty~~ forty dollars when filing a renewal of  
2 23 registration as an agent, and a fee of ~~thirty~~ forty dollars  
2 24 when filing for a change of registration as an agent. Of each  
2 25 forty-dollar fee collected, ten dollars is appropriated to the  
2 26 securities investor education and financial literacy training  
2 27 fund established under section 502.601, subsection 5. If the  
2 28 filing results in a denial or withdrawal, the administrator  
2 29 shall retain the fee.

2 30 Sec. 6. Section 502.601, subsection 4, Code 2007, is  
2 31 amended to read as follows:

2 32 4. INVESTOR EDUCATION AND FINANCIAL LITERACY. The  
2 33 administrator may develop and implement investor education and  
2 34 financial literacy initiatives to inform the public about

2 35 investing in securities, with particular emphasis on the  
3 1 prevention and detection of securities fraud. In developing  
3 2 and implementing these initiatives, the administrator may  
3 3 collaborate with public and nonprofit organizations with an  
3 4 interest in investor education and financial literacy. The  
3 5 administrator may accept a grant or donation from a person  
3 6 ~~that who~~ is not affiliated with the securities industry or  
3 7 from a nonprofit organization, regardless of whether the  
3 8 organization is affiliated with the securities industry, to  
3 9 develop and implement investor education and financial  
3 10 literacy initiatives. This subsection does not authorize the  
3 11 administrator to require participation or monetary  
3 12 contributions of a registrant in an investor education or  
3 13 financial literacy program.

3 14 Sec. 7. Section 502.601, subsection 5, Code 2007, is  
3 15 amended to read as follows:

3 16 5. THE SECURITIES INVESTOR EDUCATION AND FINANCIAL  
3 17 LITERACY TRAINING FUND. A securities investor education and  
3 18 financial literacy training fund is created in the state  
3 19 treasury under the control of the administrator to provide  
3 20 moneys for the purposes specified in subsection 4. All moneys  
3 21 received by the state by reason of civil penalties pursuant to  
3 22 this chapter and the moneys appropriated to the fund pursuant  
3 23 to section 502.410, subsection 2, shall be deposited in the  
3 24 securities investor education and financial literacy training  
3 25 fund. Notwithstanding section 12C.7, interest or earnings on  
3 26 moneys deposited into the fund shall be credited to the fund.  
3 27 Notwithstanding section 8.33, unencumbered or unobligated  
3 28 moneys remaining in the fund shall not revert but shall be  
3 29 available for expenditure for the following fiscal year.  
3 30 However, if, on June 30, unencumbered or unobligated moneys  
3 31 remaining in the fund exceed ~~two~~ five hundred thousand  
3 32 dollars, moneys in excess of that amount shall revert to the  
3 33 general fund of the state in the same manner as provided in  
3 34 section 8.33.

3 35 Sec. 8. Section 505.8, Code Supplement 2007, is amended by  
4 1 adding the following new subsection:

4 2 NEW SUBSECTION. 5A. a. The commissioner shall establish  
4 3 a bureau, to be known as the "consumer advocate bureau", which  
4 4 shall be responsible for ensuring fair treatment of consumers  
4 5 by persons in the business of insurance and for preventing  
4 6 unfair or deceptive trade practices in the insurance  
4 7 marketplace.

4 8 b. The consumer advocate bureau shall receive and  
4 9 investigate consumer complaints and inquiries from the public,  
4 10 and shall conduct investigations to determine whether any  
4 11 person has violated any provision of the insurance code. When  
4 12 necessary or appropriate to protect the public interest or  
4 13 consumers, the commissioner may conduct administrative  
4 14 hearings as provided in section 505.29.

4 15 c. The consumer advocate bureau shall perform other  
4 16 functions as may be assigned to it by the commissioner.

4 17 d. The commissioner shall prepare and deliver a report to

4 18 the general assembly by January 15 of each year that contains  
4 19 findings and recommendations regarding the activities of the  
4 20 consumer advocate bureau including but not limited to all of  
4 21 the following:

- 4 22 (1) An overview of the functions of the bureau.
- 4 23 (2) The structure of the bureau including the number and  
4 24 type of staff positions.
- 4 25 (3) Statistics showing the number of complaints handled by  
4 26 the bureau and their disposition, and the disposition of  
4 27 similar issues in other states.
- 4 28 (4) Recommendations from the commissioner about additional  
4 29 consumer protection functions that would be appropriate and  
4 30 useful for the bureau to fulfill.

4 31 Sec. 9. Section 505.8, subsection 6, Code Supplement 2007,  
4 32 is amended to read as follows:

4 33 6. a. Notwithstanding chapter 22, the commissioner shall  
4 34 keep confidential the information submitted to the insurance  
4 35 division or obtained by the insurance division in the course  
5 1 of an investigation or inquiry pursuant to subsection 5A,  
5 2 including all notes, work papers, or other documents related  
5 3 to the investigation. Information obtained by the  
5 4 commissioner in the course of investigating a complaint or  
5 5 inquiry may, in the discretion of the commissioner, be  
5 6 provided to the insurance company or insurance producer that  
5 7 is the subject of the complaint or inquiry, to the consumer  
5 8 who filed the complaint or inquiry, and to the individual  
5 9 insured who is the subject of the complaint or inquiry,  
5 10 without waiving the confidentiality afforded to the  
5 11 commissioner or to other persons by this subsection. The  
5 12 commissioner may disclose or release information that is  
5 13 otherwise confidential under this subsection, in the course of  
5 14 an administrative or judicial proceeding.

5 15 ~~a.~~ b. Notwithstanding chapter 22, the commissioner shall  
5 16 keep confidential both information obtained ~~in the course of~~  
5 17 ~~an investigation and information by or~~ submitted to the

5 18 insurance division pursuant to chapters 514J and 515D.  
5 19 ~~b.~~ c. The commissioner shall adopt rules protecting the  
5 20 privacy of information held by an insurer or an agent  
5 21 consistent with the federal Gramm-Leach-Bliley Act, Pub. L.  
5 22 No. 106-102.

5 23 ~~c.~~ d. ~~However, notwithstanding~~ Notwithstanding paragraphs  
5 24 "a", and "b", and "c", if the commissioner determines that it  
5 25 is necessary or appropriate in the public interest or for the  
5 26 protection of the public, the commissioner may share  
5 27 information with other regulatory authorities or governmental  
5 28 agencies or may publish information concerning a violation of  
5 29 this chapter or a rule or order under this chapter. Such  
5 30 information may be redacted so that personally identifiable  
5 31 information is not made available.

5 32 ~~d.~~ e. The commissioner may adopt rules protecting the  
5 33 privacy of information submitted to the insurance division  
5 34 consistent with this section.

5 35 Sec. 10. Section 505.8, subsection 10, Code Supplement  
6 1 2007, is amended to read as follows:

6 2 10. For the purpose of an investigation made under any  
6 3 chapter of this subtitle, the commissioner or the  
6 4 commissioner's designee may administer oaths and affirmations,  
6 5 subpoena witnesses, seek compulsory attendance, take evidence,  
6 6 require the filing of statements, and require the production  
6 7 of any records that the commissioner considers relevant or  
6 8 material to the investigation, pursuant to rules adopted under  
6 9 chapter 17A. The confidentiality provisions of subsection 6,  
6 10 shall apply to information and material obtained pursuant to  
6 11 this subsection.

6 12 Sec. 11. Section 505.15, Code 2007, is amended to read as  
6 13 follows:

6 14 505.15 ACTUARIAL, PROFESSIONAL, AND SPECIALIST STAFF.

6 15 1. The commissioner may appoint a staff of actuaries as  
6 16 necessary to carry out the duties of the division. The  
6 17 actuarial staff shall do all of the following:

- 6 18 ~~1.~~ a. Perform analyses of rate filings.
- 6 19 ~~2.~~ b. Perform audits of submitted loss data.
- 6 20 ~~3.~~ c. Conduct rate hearings and serve as expert  
6 21 witnesses.
- 6 22 ~~4.~~ d. Prepare, review, and dispense data on the insurance  
6 23 business.
- 6 24 ~~5.~~ e. Assist in public education concerning the insurance  
6 25 business.
- 6 26 ~~6.~~ f. Identify any impending problem areas in the  
6 27 insurance business.
- 6 28 ~~7.~~ g. Assist in examinations of insurance companies.

6 29 2. The commissioner may retain attorneys, appraisers,  
6 30 independent actuaries, independent certified public  
6 31 accountants, or other professionals or specialists to assist  
6 32 the division in carrying out its duties in regard to rate  
6 33 filing reviews. The reasonable cost of retaining such  
6 34 professionals and specialists shall be borne by the insurer  
6 35 which is the subject of the rate filing review.

7 1 Sec. 12. Section 507.4, Code 2007, is amended to read as  
7 2 follows:

7 3 507.4 EXAMINERS == SALARIES.

7 4 1. The commissioner of insurance is hereby authorized to  
7 5 may appoint insurance examiners, at least one of whom shall be  
7 6 an experienced actuary, and at least one of whom shall be an  
7 7 experienced and competent fire insurance accountant, and who,  
7 8 while conducting examinations, shall possess all the powers  
7 9 conferred upon the commissioner of insurance for such  
7 10 purposes. The entire time of the examiners shall be under the  
7 11 control of the said commissioner, and shall be employed as the  
7 12 commissioner may direct.

7 13 2. The said commissioner may, when in the commissioner's  
7 14 judgment it is advisable, appoint assistants to aid in making  
7 15 conducting examinations. Said examiners shall be compensated  
7 16 on the basis of the normal workweek of the insurance division  
7 17 at a salary to be fixed by the commissioner subject, however,  
7 18 to the provisions of section 505.14. The commissioner shall  
7 19 employ rates of compensation consistent with current standards  
7 20 in the industry for certified public accountants, attorneys,  
7 21 and skilled insurance examiners. The commissioner may use  
7 22 compensation rates suggested by the national association of  
7 23 insurance commissioners. Said compensation Compensation shall  
7 24 be paid from appropriations for such purposes upon  
7 25 certification of the commissioner, which shall be reimbursed  
7 26 as provided in sections 507.8 and 507.9.

7 27 Sec. 13. Section 507B.3, Code 2007, is amended to read as  
7 28 follows:

7 29 507B.3 UNFAIR COMPETITION OR UNFAIR AND DECEPTIVE ACTS OR  
7 30 PRACTICES PROHIBITED.

7 31 1. A person shall not engage in this state in any trade  
7 32 practice which is defined in this chapter as, or determined  
7 33 pursuant to section 507B.6 to be, an unfair method of  
7 34 competition, or an unfair or deceptive act or practice in the  
7 35 business of insurance. The issuance of a qualified charitable  
8 1 gift annuity as provided in chapter 508F does not constitute a  
8 2 trade practice in violation of this chapter.

8 3 2. The commissioner shall have power to examine and  
8 4 investigate into the affairs of every person engaged in the  
8 5 business of insurance in this state in order to determine  
8 6 whether such person has been or is engaged in any unfair  
8 7 method of competition or in any unfair or deceptive act or  
8 8 practice prohibited by this section. The commissioner shall  
8 9 keep confidential the information submitted to the insurance  
8 10 division, or obtained by the insurance division in the course  
8 11 of an investigation pursuant to section 505.8, subsection 6.  
8 12 3. Information obtained by the commissioner in the course  
8 13 of investigating a consumer complaint may, in the discretion  
8 14 of the commissioner, be provided to the insurance company or  
8 15 insurance producer which is the subject of the complaint or to  
8 16 the consumer who filed the complaint or the individual insured  
8 17 who is the subject of the complaint without waiving the  
8 18 confidentiality afforded by this section to the commissioner  
8 19 or other persons.

8 20 Sec. 14. Section 507E.6, Code 2007, is amended to read as  
8 21 follows:

8 22 507E.6 DUTIES OF INSURER.

8 23 An insurer which believes that a claim or application for  
8 24 insurance coverage is being made which is a violation of  
8 25 section 507E.3 shall provide, within sixty days of the receipt  
8 26 of such claim or application, written notification to the  
8 27 bureau of the claim or application on a form prescribed by the  
8 28 bureau, including any additional information requested by the  
8 29 bureau related to the claim or application or the party making  
8 30 the claim or application. The fraud bureau shall review each  
8 31 notification and determine whether further investigation is  
8 32 warranted. If the bureau determines that further  
8 33 investigation is warranted, the bureau shall conduct an  
8 34 independent investigation of the facts surrounding the claim  
8 35 or application for insurance coverage to determine the extent,  
9 1 if any, to which fraud occurred in the submission of the claim  
9 2 or application. The bureau shall report any alleged violation  
9 3 of law disclosed by the investigation to the appropriate  
9 4 licensing agency or prosecuting authority having jurisdiction

9 5 with respect to such violation.

9 6 Sec. 15. Section 508C.3, subsection 2, Code 2007, is  
9 7 amended to read as follows:

9 8 2. This chapter shall provide coverage to the persons  
9 9 specified in subsection 1 under direct life insurance  
9 10 policies, health insurance policies including long-term care  
9 11 insurance and disability insurance policies, annuity  
9 12 contracts, supplemental contracts, certificates under group  
9 13 policies or contracts, and unallocated annuity contracts  
9 14 issued by member insurers.

9 15 Sec. 16. Section 508C.6, subsection 1, paragraphs c and d,  
9 16 Code 2007, are amended to read as follows:

9 17 c. An annuity account. A plan established under section  
9 18 401, 403(b), or 457 of the United States Internal Revenue Code  
9 19 shall be covered by the annuity account.

9 20 d. An unallocated annuity contract account, excluding  
9 21 plans established under section 401, 403(b), or 457 of the  
9 22 United States Internal Revenue Code.

9 23 Sec. 17. Section 508C.8, subsection 8, Code 2007, is  
9 24 amended by striking the subsection and inserting in lieu  
9 25 thereof the following:

9 26 8. a. The benefits that the association may become  
9 27 obligated to cover shall in no event exceed the lesser of  
9 28 either of the following:

9 29 (1) The contractual obligations for which the insurer is  
9 30 liable or would have been liable if it were not an impaired or  
9 31 insolvent insurer.

9 32 (2) Any of the following:

9 33 (a) With respect to one life, regardless of the number of  
9 34 policies or contracts:

9 35 (i) Three hundred thousand dollars in life insurance death  
10 1 benefits, but not more than one hundred thousand dollars in  
10 2 net cash surrender and net cash withdrawal values for life  
10 3 insurance, or three hundred fifty thousand dollars in the  
10 4 aggregate.

10 5 (ii) Three hundred thousand dollars for health insurance  
10 6 benefits including any net cash surrender and net cash  
10 7 withdrawal values.

10 8 (iii) Two hundred fifty thousand dollars in the present  
10 9 value of annuity benefits, including net cash surrender and  
10 10 net cash withdrawal values.

10 11 (b) (i) With respect to each individual benefit plan  
10 12 established under section 401, 403(b), or 457 of the United  
10 13 States Internal Revenue Code, or each unallocated annuity  
10 14 contract account, excluding a plan established under section  
10 15 401, 403(b), or 457 of the United States Internal Revenue  
10 16 Code, not more than two hundred fifty thousand dollars in the  
10 17 aggregate, in present value annuity benefits, including net  
10 18 cash surrender and net cash withdrawal values for the  
10 19 beneficiaries of the deceased individual.

10 20 (ii) However, the association shall not in any event be  
10 21 obligated to cover more than an aggregate of three hundred  
10 22 fifty thousand dollars in benefits with respect to any one  
10 23 life under subparagraph subdivision (a) and this subparagraph  
10 24 subdivision (b), or more than five million dollars in benefits  
10 25 to one owner of multiple nongroup policies of life insurance  
10 26 regardless of whether the policy owner is an individual, firm,  
10 27 corporation, or other person, and whether the persons insured  
10 28 are officers, managers, employees, or other persons, and  
10 29 regardless of the number of policies and contracts held by the  
10 30 owner.

10 31 (c) With respect to a plan sponsor whose plan owns,  
10 32 directly or in trust, one or more unallocated annuity  
10 33 contracts not included under subparagraph subdivision (b), not  
10 34 more than five million dollars in benefits, regardless of the  
10 35 number of contracts held by the plan sponsor. However, where  
11 1 one or more such unallocated annuity contracts are covered  
11 2 contracts under this chapter and are owned by a trust or other  
11 3 entity for the benefit of two or more plan sponsors, the  
11 4 association shall provide coverage if the largest interest in  
11 5 the trust or entity owning the contract is held by a plan  
11 6 sponsor whose principal place of business is in the state but  
11 7 in no event shall the association be obligated to cover more  
11 8 than five million dollars in benefits in the aggregate with  
11 9 respect to all such unallocated contracts.

11 10 b. The limitations on the association's obligation to  
11 11 cover benefits that are set forth under this subsection do not  
11 12 take into account the association's subrogation and assignment  
11 13 rights or the extent to which such benefits could be provided  
11 14 out of the assets of the impaired or insolvent insurer that  
11 15 are attributable to covered policies. The association's

11 16 obligations under this chapter may be met by the use of assets  
11 17 attributable to covered policies or reimbursed to the  
11 18 association pursuant to the association's subrogation and  
11 19 assignment rights.

11 20 Sec. 18. Section 508C.8, subsection 9, Code 2007, is  
11 21 amended to read as follows:

11 22 9. The association has no obligation ~~for either of the~~  
11 23 ~~following:~~

11 24 ~~a. To continue coverage, or to pay a claim for benefits to~~  
11 25 ~~any person under an individual accident, health, or disability~~  
11 26 ~~policy accruing more than three years following the date the~~  
11 27 ~~member insurer is adjudicated to be insolvent.~~

11 28 ~~b. To issue a group conversion policy of any nature to~~  
11 29 ~~a person or to continue a group coverage in force for more~~  
11 30 ~~than sixty days following the date the member insurer was~~  
11 31 ~~adjudicated to be insolvent.~~

11 32 Sec. 19. NEW SECTION. 508E.5 PUBLIC RECORDS.

11 33 All information filed with the commissioner pursuant to the  
11 34 requirements of this chapter and its implementing rules shall  
11 35 constitute a public record that is open for public inspection.

12 1 Sec. 20. Section 510.5, subsection 1, paragraph d, Code  
12 2 2007, is amended to read as follows:

12 3 d. Separate records of business written by a managing  
12 4 general agent shall be maintained. An insurer shall have  
12 5 access and a right to copy all accounts and records related to  
12 6 the insurer's business in a form usable by the insurer and the  
12 7 commissioner shall have access to all books, bank accounts,  
12 8 and records of a managing general agent in a form usable by  
12 9 the commissioner. Such records shall be retained at least  
12 10 until after completion by the insurance division of the next  
12 11 ~~triennial~~ examination of the insurer.

12 12 Sec. 21. Section 511.8, subsection 6, paragraph a,  
12 13 subparagraph (2), unnumbered paragraph 1, Code 2007, is  
12 14 amended to read as follows:

12 15 The net earnings available for fixed charges and preferred  
12 16 dividends of the issuing corporation shall have been, for each  
12 17 of the five fiscal years immediately preceding the date of  
12 18 acquisition, not less than one and one-half times the sum of  
12 19 the annual fixed charges and contingent interest, if any, and  
12 20 the annual preferred dividend requirements as of the date of  
12 21 acquisition, unless at the date of acquisition the issuing  
12 22 corporation documents that the preferred stock has investment  
12 23 qualities and characteristics wherein speculative elements are  
12 24 not predominant.

12 25 Sec. 22. Section 511.8, subsection 9, paragraphs a, b, c,  
12 26 e, and g, Code 2007, are amended to read as follows:

12 27 a. (1) Bonds, notes, obligations, or other evidences of  
12 28 indebtedness secured by mortgages or deeds of trust which are  
12 29 a first or second lien upon otherwise unencumbered real  
12 30 property and appurtenances thereto within the United States of  
12 31 America, or any insular or territorial possession of the  
12 32 United States, or the Dominion of Canada, and upon leasehold  
12 33 estates in real property where fifty years or more of the term  
12 34 including renewals is unexpired, provided that at the date of  
12 35 acquisition the total indebtedness secured by the first or  
13 1 second lien shall not exceed ninety percent of the value of  
13 2 the property upon which it is a lien. However, a company or  
13 3 organization shall not acquire an indebtedness secured by a  
13 4 first or second lien upon a single parcel of real property, or  
13 5 upon a leasehold interest in a single parcel of real property,  
13 6 in excess of two percent of its legal reserve. These  
13 7 limitations do not apply to obligations described in  
13 8 paragraphs "b", "c", "d", "e", ~~and "f"~~, and "g" of this  
13 9 subsection.

13 10 (2) Improvements and appurtenances to real property shall  
13 11 not be considered in estimating the value of the property  
13 12 unless the owner contracts to keep the property adequately  
13 13 insured during the life of the loan in some reliable fire  
13 14 insurance companies, or associations, the insurance to be made  
13 15 payable in case of loss to the mortgagee, trustee, or assignee  
13 16 as its interest appears at the time of the loss.

13 17 (3) For the purpose of this subsection a mortgage or deed  
13 18 of trust is not other than a first or second lien upon  
13 19 property by reason of the existence of taxes or assessments  
13 20 that are not delinquent, instruments creating or reserving  
13 21 mineral, oil, or timber rights, rights of way, joint  
13 22 driveways, sewer rights, rights in walls or by reason of  
13 23 building restrictions or other like restrictive covenants, or  
13 24 when the real estate is subject to lease in whole or in part  
13 25 whereby rents or profits are reserved to the owner.

13 26 b. Bonds, notes, or other evidences of indebtedness

13 27 representing loans and advances of credit that have been  
13 28 issued, guaranteed, or insured, in accordance with the terms  
13 29 and provisions of an Act of Congress of the United States of  
13 30 America approved June 27, 1934, entitled the "National Housing  
13 31 Act", 48 Stat. 1246, 12 U.S.C. } 1701, et seq., as ~~heretofore~~  
~~13 32 and hereafter~~ amended to and including January 1, 2008, or of  
13 33 an Act of Congress of the United States of America approved  
13 34 July 24, 1970, entitled the "Federal Home Loan Mortgage  
13 35 Corporation Act", 84 Stat. 451, 12 U.S.C. } 1451, et seq., as  
14 1 amended to and including January 1, 2008.

14 2 c. Bonds, notes, or other evidences of indebtedness  
14 3 representing loans and advances of credit that have been  
14 4 issued or guaranteed, in whole or in part, in accordance with  
14 5 the terms and provisions of Title III of an Act of Congress of  
14 6 the United States of America approved June 22, 1944, known as  
14 7 Public Law 346, Pub. L. No. 78-268, cited as the "Servicemen's  
14 8 Readjustment Act of 1944", 58 Stat. 284, recodified at 72  
14 9 Stat. 1105, 1273, 38 U.S.C. } 3701, et seq., as ~~heretofore~~ and  
~~14 10 hereafter~~ amended to and including January 1, 2008.

14 11 e. Bonds, notes, or other evidences of indebtedness  
14 12 representing loans and advances of credit that have been  
14 13 issued or guaranteed, in whole or in part, in accordance with  
14 14 Title I of the Bankhead-Jones Farm Tenant Act, an Act of the  
14 15 Congress of the United States, cited as the "Farmers Home  
14 16 Administration Act of 1946", 60 Stat. 1062, as ~~heretofore~~ or  
~~14 17 hereafter~~ amended to and including the effective date or dates  
14 18 of its repeal as set forth in 76 Stat. 318, or with Title III  
14 19 of an Act of Congress of the United States of America approved  
14 20 August 8, 1961, entitled the "Consolidated Farm and Rural  
14 21 Development Act", 75 Stat. 307, 7 U.S.C. } 1921, et seq., as  
14 22 amended to and including January 1, 2008.

14 23 g. Bonds, notes or other evidences of indebtedness  
14 24 representing loans and advances of credit that have been  
14 25 issued, guaranteed, or insured, in accordance with the terms  
14 26 and provisions of an Act of the federal Parliament of the  
14 27 Dominion of Canada approved March 18, 1954, cited as the  
14 28 "National Housing Act, 1954" Act", R.S.C. 1985, c. N-11 as  
14 29 ~~heretofore~~ and ~~hereafter~~ amended to and including January 1,  
14 30 2008.

14 31 Sec. 23. Section 511.8, subsection 22, paragraph a, Code  
14 32 2007, is amended by adding the following new subparagraph:  
14 33 NEW SUBPARAGRAPH. (4) "United States government-sponsored  
14 34 enterprise" means the federal national mortgage corporation  
14 35 under 12 U.S.C. } 1716-23i of the National Housing Act and the  
15 1 federal home loan marketing association under the Federal Home  
15 2 Loan Mortgage Act, 12 U.S.C. } 1451-59.

15 3 Sec. 24. Section 511.8, subsection 22, paragraphs c, d,  
15 4 and e, Code 2007, are amended to read as follows:

15 5 c. Investments in financial instruments used in hedging  
15 6 transactions are not eligible in excess of two percent of the  
15 7 legal reserve in the financial instruments of any one  
15 8 corporation, less any securities of that corporation owned by  
15 9 the company or association and in which its legal reserve is  
15 10 invested, except insofar as the financial instruments are  
15 11 collateralized by cash, ~~or~~ United States government  
15 12 obligations as authorized by subsection 1, ~~or~~ obligations of  
15 13 or guaranteed by a United States government-sponsored  
15 14 enterprise which on the date they are pledged as collateral  
15 15 are adequately secured and have investment qualities and  
15 16 characteristics wherein the speculative elements are not  
15 17 predominant, which are deposited with a custodian bank as  
15 18 defined in subsection 21, and held under a written agreement  
15 19 with the custodian bank that complies with subsection 21 and  
15 20 provides for the proceeds of the collateral, subject to the  
15 21 terms and conditions of the applicable collateral or other  
15 22 credit support agreement, to be remitted to the legal reserve  
15 23 deposit of the company or association and to vest in the state  
15 24 in accordance with section 508.18 whenever proceedings under  
15 25 that section are instituted.

15 26 d. Investments in financial instruments used in hedging  
15 27 transactions are not eligible in excess of ten percent of the  
15 28 legal reserve, except insofar as the financial instruments are  
15 29 collateralized by cash, ~~or~~ United States government  
15 30 obligations as authorized by subsection 1, ~~or~~ obligations of  
15 31 or guaranteed by a United States government-sponsored  
15 32 enterprise which on the date they are pledged as collateral  
15 33 are adequately secured and have investment qualities and  
15 34 characteristics wherein the speculative elements are not  
15 35 predominant, which are deposited with a custodian bank as  
16 1 defined in subsection 21, and held under a written agreement  
16 2 with the custodian bank that complies with subsection 21 and

16 3 provides for the proceeds of the collateral, subject to the  
16 4 terms and conditions of the applicable collateral or other  
16 5 credit support agreement, to be remitted to the legal reserve  
16 6 deposit of the company or association and to vest in the state  
16 7 in accordance with section 508.18 whenever proceedings under  
16 8 that section are instituted.

16 9 e. (1) Investments in financial instruments of foreign  
16 10 governments or foreign corporate obligations, other than  
16 11 Canada, used in hedging transactions shall be included in the  
16 12 limitation contained in subsection 19 that allows only twenty  
16 13 percent of the legal reserve of the company or association to  
16 14 be invested in such foreign investments, except insofar as the  
16 15 financial instruments are collateralized by cash, ~~or~~ United  
16 16 States government obligations as authorized by subsection 1,  
16 17 or obligations of or guaranteed by a United States

16 18 government-sponsored enterprise which on the date they are  
16 19 pledged as collateral are adequately secured and have  
16 20 investment qualities and characteristics wherein the  
16 21 speculative elements are not predominant, which are deposited  
16 22 with a custodian bank as defined in subsection 21, and held  
16 23 under a written agreement with the custodian bank that  
16 24 complies with subsection 21 and provides for the proceeds of  
16 25 the collateral, subject to the terms and conditions of the  
16 26 applicable collateral or other credit support agreement, to be  
16 27 remitted to the legal reserve deposit of the company or  
16 28 association and to vest in the state in accordance with  
16 29 section 508.18 whenever proceedings under that section are  
16 30 instituted.

16 31 (2) This paragraph "e" does not authorize the inclusion of  
16 32 financial instruments used in hedging transactions in an  
16 33 insurer's legal reserve that are in excess of the eligibility  
16 34 limitation provided in paragraph "d" unless the financial  
16 35 instruments are collateralized as provided in this paragraph  
17 1 "e".

17 2 Sec. 25. NEW SECTION. 514B.17A RECISION.

17 3 1. A health maintenance organization may rescind an  
17 4 enrollee's membership in the health maintenance organization  
17 5 if the enrollee makes a material false statement or  
17 6 misrepresentation in the enrollee's application for  
17 7 membership. A written notice of rescision shall be sent to the  
17 8 enrollee by certified mail addressed to the enrollee and sent  
17 9 to the enrollee's last address known to the health maintenance  
17 10 organization and shall state the reason for the rescision. The  
17 11 enrollee may appeal the rescision to the commissioner as  
17 12 provided by the commissioner by rules adopted under chapter  
17 13 17A.

17 14 2. An enrollee's membership in a health maintenance  
17 15 organization shall not be rescinded as provided in subsection  
17 16 1 more than two years after the date of the enrollee's  
17 17 enrollment in the health maintenance organization.

17 18 Sec. 26. NEW SECTION. 514F.6 CREDENTIALING ==  
17 19 RETROSPECTIVE PAYMENT.

17 20 The commissioner shall adopt rules to provide for the  
17 21 retrospective payment of clean claims for covered services  
17 22 provided by a physician during the credentialing period, once  
17 23 the physician is credentialed. For purposes of this section,  
17 24 "physician" means a licensed doctor of medicine and surgery or  
17 25 a licensed doctor of osteopathic medicine and surgery, and  
17 26 "credentialing period" means the time period between the  
17 27 health insurer's receipt of a physician's application for  
17 28 credentialing and approval of that application by the health  
17 29 insurer. "Credentialing" means a process through which a  
17 30 health insurer makes a determination based on criteria  
17 31 established by the health insurer concerning whether a  
17 32 physician is eligible to provide health care services to an  
17 33 insured and to receive reimbursement for the health care  
17 34 services provided under an agreement entered into between the  
17 35 physician and the health insurer. "Clean claim" means the  
18 1 same as defined in section 507B.4A, subsection 2, paragraph  
18 2 "b".

18 3 Sec. 27. Section 514J.3, Code 2007, is amended to read as  
18 4 follows:

18 5 514J.3 EXCLUSIONS.

18 6 This chapter does not apply to a hospital confinement  
18 7 indemnity, credit, ~~dental~~, vision, long-term care, disability  
18 8 income insurance coverage, coverage issued as a supplement to  
18 9 liability insurance, workers' compensation or similar  
18 10 insurance, or automobile medical payment insurance.

18 11 Sec. 28. Section 515.103, subsection 2, paragraph e,  
18 12 subparagraphs (1) and (2), Code Supplement 2007, are amended  
18 13 to read as follows:

18 14 (1) Treats the consumer as if the consumer has neutral  
18 15 credit information, as defined by the insurer, resulting in  
18 16 underwriting or rating the consumer the same as if the  
18 17 consumer had an average credit rating or insurance score.

18 18 (2) ~~Excludes In underwriting, excludes~~ the use of credit  
18 19 information as an underwriting factor and only uses other  
18 20 underwriting criteria.

18 21 Sec. 29. Section 515A.2, subsection 1, Code 2007, is  
18 22 amended by adding the following new paragraph:

18 23 NEW PARAGRAPH. g. "Schedule rating plan" means a rating  
18 24 plan by which an insurer increases or decreases workers'  
18 25 compensation rates to reflect the individual risk  
18 26 characteristics of the subject of the insurance.

18 27 Sec. 30. Section 515A.3, subsection 1, paragraph b, Code  
18 28 2007, is amended to read as follows:

18 29 b. Due consideration shall be given to past and  
18 30 prospective loss experience within and outside this state, to  
18 31 ~~the conflagration and~~ catastrophe hazards, to a reasonable  
18 32 margin for underwriting profit and contingencies, to  
18 33 dividends, savings, or unabsorbed premium deposits allowed or  
18 34 returned by insurers to their policyholders, members or  
18 35 subscribers, to past and prospective expenses both countrywide  
19 1 and those specially applicable to this state, and to all other  
19 2 relevant factors within and outside this state; ~~and in the~~  
19 3 ~~case of fire insurance rates consideration shall be given to~~  
19 4 ~~the experience of the fire insurance business during a period~~  
19 5 ~~of not less than the most recent five-year period for which~~  
19 6 ~~such experience is available.~~

19 7 Sec. 31. Section 515A.4, Code 2007, is amended to read as  
19 8 follows:

19 9 515A.4 RATE FILINGS.

19 10 1. a. Every insurer shall file with the commissioner;  
19 11 ~~except as to inland marine risks which by general custom of~~  
19 12 ~~the business are not written according to manual rates or~~  
19 13 ~~rating plans,~~ every manual, minimum, class rate, rating  
19 14 schedule or rating plan and every other rating rule, and every  
19 15 modification of any of the foregoing which it proposes to use.  
19 16 Every such filing shall state the proposed effective date  
19 17 thereof, and shall indicate the character and extent of the  
19 18 coverage contemplated.

19 19 b. When a filing is not accompanied by the information  
19 20 upon which the insurer supports such filing, and the  
19 21 commissioner does not have sufficient information to determine  
19 22 whether such filing meets the requirements of this chapter,  
19 23 the commissioner shall require such insurer to furnish the  
19 24 information upon which it supports such filing and in such  
19 25 event the waiting period shall commence as of the date such  
19 26 information is furnished. Until the required information is  
19 27 furnished, the filing shall not be deemed complete or  
19 28 available for use by the insurer.

19 29 c. The information furnished in support of a filing may  
19 30 include the experience or judgment of the insurer or rating  
19 31 organization making the filing, its interpretation of any  
19 32 statistical data it relies upon, the experience of other  
19 33 insurers or rating organizations, or any other relevant  
19 34 factors. When a filing is deemed complete, the filing and  
19 35 any supporting information shall be open to public inspection  
20 1 upon filing. Specific inland marine rates on risks specially  
20 2 rated, made by a rating organization, shall be filed with the  
20 3 commissioner.

20 4 2. An insurer may satisfy its obligation to make such  
20 5 filings by becoming a member of, or a subscriber to, a  
20 6 licensed rating organization which makes such filings, and by  
20 7 authorizing the commissioner to accept such filings on its  
20 8 behalf; provided that nothing contained in this chapter shall  
20 9 be construed as requiring any insurer to become a member of or  
20 10 a subscriber to any rating organization.

20 11 3. The commissioner shall review filings as soon as  
20 12 reasonably possible after they have been made in order to  
20 13 determine whether they meet the requirements of this chapter.

20 14 4. ~~Subject to the exception specified in subsection 5 of~~  
20 15 ~~this section, each~~ Each complete filing shall be on file for a  
20 16 waiting period of thirty days before it becomes effective,  
20 17 which period may be extended by the commissioner for an  
20 18 additional period not to exceed fifteen days if the  
20 19 commissioner gives written notice within the waiting period to  
20 20 the insurer or rating organization which made the filing that  
20 21 the commissioner needs additional time for the consideration  
20 22 of the filing. Upon written application by the insurer or  
20 23 rating organization, the commissioner may authorize a filing  
20 24 which the commissioner has reviewed to become effective before

20 25 the expiration of the waiting period or any extension of the  
20 26 period. A filing shall be deemed to meet the requirements of  
20 27 this chapter unless disapproved by the commissioner within  
~~20 28 thirty days of receipt by the commissioner before the~~  
~~20 29 expiration of the waiting period or an extension of the~~  
~~20 30 waiting period.~~

~~20 31 5. Specific inland marine rates on risks specially rated~~  
~~20 32 by a rating organization, or any specific filing with respect~~  
~~20 33 to a surety or guaranty bond required by law or by court or~~  
~~20 34 executive order, rule or regulation of a public body and not~~  
~~20 35 covered by a previous filing, shall become effective when~~  
~~21 1 filed and shall be deemed to meet the requirements of this~~  
~~21 2 chapter until such time as the commissioner reviews the filing~~  
~~21 3 and so long thereafter as the filing remains in effect.~~

21 4 6. 5. Under such rules and regulations as the  
21 5 commissioner shall adopt the commissioner may, by written  
21 6 order, suspend or modify the requirement of filing as to any  
21 7 kind of insurance, subdivision or combination thereof, or as  
21 8 to classes of risks, the rates for which cannot practicably be  
21 9 filed before they are used. Such order, rules and regulations  
21 10 shall be made known to insurers and rating organizations  
21 11 affected thereby. The commissioner may make such examination  
21 12 as the commissioner may deem advisable to ascertain whether  
21 13 any rates affected by such order meet the standards set forth  
21 14 in paragraph "b" of subsection 1 of section 515A.3.

21 15 ~~7. 6.~~ Upon the written application of the insured,  
21 16 stating the insured's reasons therefor, filed with and  
21 17 approved by the commissioner a rate in excess of that provided  
21 18 by a filing otherwise applicable may be used on any specific  
21 19 risk.

21 20 ~~8. 7.~~ No insurer shall make or issue a contract or policy  
21 21 except in accordance with the filings which are in effect for  
21 22 ~~said the~~ insurer as provided in this chapter or in accordance  
21 23 with ~~subsections 6 subsection 5 or 7 of this section 6.~~ This  
~~21 24 subsection shall not apply to contracts or policies for inland~~  
~~21 25 marine risks as to which filings are not required.~~

21 26 9. 8. If a hearing is requested pursuant to section  
21 27 515A.6, subsection 7, a filing shall not take effect until  
21 28 thirty days after formal approval is given by the  
21 29 commissioner.

21 30 Sec. 32. Section 515A.5, Code 2007, is amended to read as  
21 31 follows:

21 32 515A.5 DISAPPROVAL OF FILINGS.

21 33 1. If within the waiting period or any extension thereof  
21 34 as provided in subsection 4 of section 515A.4, the  
21 35 commissioner finds that a filing does not meet the  
22 1 requirements of this chapter, the commissioner shall send to  
22 2 the insurer or rating organization which made such filing,  
22 3 written notice in a printed or electronic format of  
22 4 disapproval of such filing specifying therein in what respects  
22 5 the commissioner finds such filing fails to meet the  
22 6 requirements of this chapter and stating that such filing  
22 7 shall not become effective.

22 8 2. If within thirty days after a specific inland marine  
~~22 9 rate on a risk especially rated by a rating organization~~  
~~22 10 subject to subsection 5 of section 515A.4 has become effective~~  
~~22 11 or, if within thirty days after a special surety or guaranty~~  
~~22 12 filing subject to subsection 5 of section 515A.4 has become~~  
~~22 13 effective, the commissioner finds that such filing does not~~  
~~22 14 meet the requirements of this chapter, the commissioner shall~~  
~~22 15 send to the rating organization or insurer which made such~~  
~~22 16 filing written notice of disapproval of such filing specifying~~  
~~22 17 therein in what respects the commissioner finds that such~~  
~~22 18 filing fails to meet the requirements of this chapter and~~  
~~22 19 stating when, within a reasonable period thereafter, such~~  
~~22 20 filing shall be deemed no longer effective. Said disapproval~~  
~~22 21 shall not affect any contract made or issued prior to the~~  
~~22 22 expiration of the period set forth in said notice.~~

22 23 3. ~~2.~~ If at ~~At~~ any time subsequent to the applicable  
22 24 review period provided for in subsection 1 or 2 of this  
~~22 25 section, the commissioner finds that a filing does not meet~~  
~~22 26 the requirements of this chapter, the may hold a hearing, days~~  
~~22 27 determine whether a filing meets the requirements of this~~  
~~22 28 chapter. The commissioner shall, after provide notice of a~~  
~~22 29 hearing held upon not less than ten days written notice,~~  
~~22 30 specifying the matters to be considered at such hearing, days~~  
~~22 31 prior to the hearing to every insurer and rating organization~~  
~~22 32 which made such the filing, specifying the matters to be~~  
~~22 33 considered at the hearing. If the commissioner finds that a~~  
~~22 34 filing does not meet the requirements of this chapter, the~~  
~~22 35 commissioner shall issue an order specifying in what respects~~

23 1 the commissioner finds that ~~such the~~ filing fails to meet the  
23 2 requirements of this chapter, and stating when, within a  
23 3 reasonable period thereafter, ~~such the~~ filing shall be deemed  
23 4 no longer effective. Copies of ~~said the~~ order shall be sent  
23 5 to every ~~such~~ insurer and rating organization which made the  
23 6 filing. ~~Said The~~ order shall not affect any contract or  
23 7 policy made or issued prior to the expiration of the period  
23 8 set forth in ~~said the~~ order.

23 9 ~~4-~~ 3. a. Any person or organization aggrieved with  
23 10 respect to any filing which is in effect may make written  
23 11 application to the commissioner for a hearing thereon,  
23 12 provided, however, that the insurer or rating organization  
23 13 that made or uses the filing shall not be authorized to  
23 14 proceed under this subsection. Such application shall specify  
23 15 the grounds to be relied upon by the applicant and such  
23 16 application must show that the person or organization making  
23 17 such application has a specific economic interest affected by  
23 18 the filing. If the commissioner ~~shall find~~ finds that the  
23 19 application is made in good faith, that the applicant has a  
23 20 specific economic interest, that the applicant would be so  
23 21 aggrieved if the applicant's grounds are established, and that  
23 22 such grounds otherwise justify holding such a hearing, the  
23 23 commissioner shall within thirty days after receipt of such  
23 24 application hold a hearing, upon not less than ten days'  
23 25 written notice to the applicant and to every insurer and  
23 26 rating organization which made ~~such the~~ filing. No rating or  
23 27 advisory organization shall have any status under this chapter  
23 28 to make application for a hearing on any filing made by an  
23 29 insurer with the commissioner.

23 30 b. If, after such hearing, the commissioner finds that the  
23 31 filing does not meet the requirements of this chapter, the  
23 32 commissioner shall issue an order specifying in what respects  
23 33 the commissioner finds that such filing fails to meet the  
23 34 requirements of this chapter, and stating when, within a  
23 35 reasonable period thereafter, ~~such filing~~ shall be deemed no  
24 1 longer effective. Copies of ~~said the~~ order shall be sent to  
24 2 the applicant and to every such insurer and rating  
24 3 organization. ~~Said The~~ order shall not affect any contract or  
24 4 policy made or issued prior to the expiration of the period  
24 5 set forth in ~~said the~~ order.

24 6 ~~5-~~ 4. No filing shall be disapproved if the rates thereby  
24 7 produced meet the requirements of this chapter.

24 8 Sec. 33. Section 515A.6, subsection 1, paragraph c, Code  
24 9 Supplement 2007, is amended to read as follows:

24 10 c. Licenses issued pursuant to this section shall remain  
24 11 in effect for three years unless sooner suspended or revoked  
24 12 by the commissioner. The fee for ~~said the~~ license shall be  
24 13 ~~twenty-five~~ one hundred dollars.

24 14 Sec. 34. Section 515A.6, subsection 7, paragraph a, Code  
24 15 Supplement 2007, is amended to read as follows:

24 16 a. The commissioner shall provide notice of the filing of  
24 17 the proposed rates at least thirty days before the effective  
24 18 date of the proposed rates by publishing a notice ~~in the Iowa~~  
24 19 ~~administrative bulletin on the internet web site of the~~  
24 20 ~~insurance division of the department of commerce.~~

24 21 Sec. 35. Section 515A.6, subsection 7, Code Supplement  
24 22 2007, is amended by adding the following new paragraphs:

24 23 NEW PARAGRAPH. g. Absent a request for a hearing as  
24 24 provided in paragraph "b", the commissioner shall issue an  
24 25 order approving or disapproving the proposed rates.

24 26 NEW PARAGRAPH. h. The waiting period for a workers'  
24 27 compensation insurance rate filing shall commence no earlier  
24 28 than the date that notice of the insurance rate filing is  
24 29 published.

24 30 Sec. 36. Section 515A.7, Code 2007, is amended to read as  
24 31 follows:

24 32 515A.7 UNIFORM RATING PLANS AND DEVIATIONS.

24 33 1. a. Every ~~member of or subscriber to a rating~~  
24 34 ~~organization insurer~~ shall adhere to the filings made on its  
24 35 behalf by ~~such a rating~~ organization except that any such  
25 1 insurer may ~~make written application to the commissioner to~~  
25 2 ~~file a deviation from the class rates, schedules, rating~~  
25 3 ~~plans, or rules respecting any kind of insurance, or class of~~  
25 4 ~~risk within a kind of insurance, or a combination thereof for~~  
25 5 ~~approval by the commissioner.~~ The deviation  
25 6 filed shall specify the basis for the modification and a copy  
25 7 shall also be sent simultaneously to such rating organization.  
25 8 In considering the ~~application to file such~~ deviation filed,  
25 9 the commissioner shall give consideration to the available  
25 10 statistics and the principles for rate making as provided in  
25 11 section 515A.3. The commissioner shall ~~issue an order~~

~~25 12 permitting approve the deviation filed for such insurer to be~~  
~~25 13 filed if the commissioner finds it to be justified and it~~  
25 14 shall thereupon become effective. The commissioner shall  
25 15 ~~issue an order denying such application disapprove the~~  
~~25 16 deviation filed if the commissioner finds that the deviation~~  
~~25 17 applied for does not meet the requirements of this chapter.~~  
25 18 Each deviation permitted to be filed shall remain in effect  
25 19 for a period of not less than one year from the effective date  
25 20 unless sooner withdrawn by the insurer with the approval of  
25 21 the commissioner or until terminated in accordance with the  
25 22 provisions of section 515A.5.

25 23 b. A deviation may be filed for approval by the  
25 24 commissioner as follows:

25 25 (1) An insurer may file for approval by the commissioner  
25 26 of a uniform percentage rate deviation to be applied to the  
25 27 class rates of the rating organization's filing subject to  
25 28 limitations as set forth by the commissioner by rule. A rate  
25 29 deviation from the approved class rates of a rating  
25 30 organization shall not cause the rate charged a policyholder  
25 31 to exceed the approved assigned risk rates.

25 32 (2) A rating organization or insurer may offer  
25 33 retrospective plans in policies which generate at least one  
25 34 hundred thousand dollars in annual countrywide premiums on  
25 35 workers' compensation liability insurance.

26 1 (3) An insurer may offer large deductible programs on  
26 2 policies which generate at least one hundred thousand dollars  
26 3 in annual countrywide premiums on workers' compensation  
26 4 liability insurance. The minimum large deductible which may  
26 5 be offered is twenty-five thousand dollars, which may be  
26 6 applied to indemnity and medical losses.

26 7 (4) An insurer may offer small deductible programs with  
26 8 deductibles in a range of up to ten thousand dollars and which  
26 9 apply only to medical losses. Losses shall be reported on a  
26 10 net basis in accordance with the statistical plan filed by a  
26 11 rating organization.

26 12 (5) An insurer may adopt a scheduled or rating plan  
26 13 providing for credits or debits in an amount not exceeding the  
26 14 maximum modification allowed as set forth by the commissioner  
26 15 by rule. This amount shall be in addition to the permitted  
26 16 deviations set forth in subparagraphs (1) through (4).

26 17 (6) The commissioner may authorize other types of  
26 18 deviations by rule when there is no approved rate, schedule,  
26 19 rating plan, or rule applicable to the deviation filed, on  
26 20 file with the insurance division for a rating organization.

26 21 2. The commissioner may adopt rules pursuant to chapter  
26 22 17A to limit deviations and maximum schedule or rating plan  
26 23 modifications.

26 24 3. All dividends shall be paid based upon loss  
26 25 sensitivity. Dividends are deemed a return of profit to  
26 26 insureds. Accordingly, dividends shall not be guaranteed by  
26 27 an insurer without regard to profits. Dividends may be  
26 28 offered in conjunction with deviated rates or with scheduled  
26 29 rates or in combination therewith. For the purposes of this  
26 30 subsection, "loss sensitivity" means the profitability of the  
26 31 policyholder individually or as a member of a homogenous  
26 32 group.

26 33 Sec. 37. Section 515A.8, Code 2007, is amended to read as  
26 34 follows:

26 35 515A.8 APPEAL BY MINORITY MEMBER OR SUBSCRIBER.

27 1 1. Any member or subscriber to a rating organization may  
27 2 appeal to the commissioner from the action or decision of such  
27 3 rating organization in approving or rejecting any proposed  
27 4 change in or addition to the filings of such rating  
27 5 organization and the commissioner shall, after a hearing held  
27 6 upon not less than ten days' written notice to the appellant,  
27 7 and to such rating organization, issue an order approving the  
27 8 action or decision of such rating organization or directing it  
27 9 to give further consideration to such proposal, or, if such  
27 10 appeal is from the action or decision of the rating  
27 11 organization in rejecting a proposed addition to its filings,  
27 12 the commissioner may, in the event the commissioner finds that  
27 13 such action or decision was unreasonable, issue an order  
27 14 directing the rating organization to make an addition to its  
27 15 filings, on behalf of its members and subscribers, in a manner  
27 16 consistent with the findings, within a reasonable time after  
27 17 the issuance of such order.

27 18 2. If such appeal is based upon the failure of the rating  
27 19 organization to make a filing on behalf of such member or  
27 20 subscriber, which is based on a system of expense provisions  
27 21 which differs, in accordance with the right granted in  
27 22 paragraph "c" of subsection 1 of section 515A.3, from the

27 23 system of expense provisions included in a filing made by the  
27 24 rating organization, the commissioner shall, if the  
27 25 commissioner grants the appeal, order the rating organization  
27 26 to make the requested filing for use by the appellant. In  
27 27 deciding such appeal the commissioner shall apply the  
27 28 standards set forth in section 515A.3.

27 29 Sec. 38. Section 515A.13, Code 2007, is amended to read as  
27 30 follows:

27 31 515A.13 RATE ADMINISTRATION.

27 32 1. ~~RECORDING AND REPORTING OF LOSS AND EXPENSE EXPERIENCE.~~

27 33 The commissioner shall promulgate reasonable rules and  
27 34 statistical plans, reasonably adapted to each of the rating  
27 35 systems on file with the commissioner, which may be modified  
28 1 from time to time and which shall be used thereafter by each  
28 2 insurer in the recording and reporting of its loss and  
28 3 countrywide expense experience, in order that the experience  
28 4 of all insurers may be made available at least annually in  
28 5 such form and detail as may be necessary to aid the  
28 6 commissioner in determining whether rating systems comply with  
28 7 the standards set forth in section 515A.3. Such rules and  
28 8 plans may also provide for the recording and reporting of  
28 9 expense experience items which are specially applicable to  
28 10 this state and are not susceptible of determination by a  
28 11 prorating of countywide expense experience. In promulgating  
28 12 such rules and plans, the commissioner shall give due  
28 13 consideration to the rating systems on file and, in order that  
28 14 such rules and plans may be as uniform as is practicable among  
28 15 the several states, to the rules and to the form of the plans  
28 16 used for such rating systems in other states. No insurer  
28 17 shall be required to record or report its loss experience on a  
28 18 classification basis that is inconsistent with the rating  
28 19 system filed by it. The commissioner may designate one or  
28 20 more rating organizations or other agencies to assist in  
28 21 gathering such experience and making compilations thereof, and  
28 22 such compilations shall be made available, subject to  
28 23 reasonable rules promulgated by the commissioner, to insurers  
28 24 and rating organizations.

28 25 2. ~~INTERCHANGE OF RATING PLAN DATA.~~ Reasonable rules and

28 26 plans may be promulgated by the commissioner for the  
28 27 interchange of data necessary for the application of rating  
28 28 plans.

28 29 3. ~~CONSULTATION WITH OTHER STATES.~~ In order to further  
28 30 uniform administration of rate regulatory laws, the  
28 31 commissioner and every insurer and rating organization may  
28 32 exchange information and experience data with insurance  
28 33 supervisory officials, insurers and rating organizations in  
28 34 other states and may consult with them with respect to rate  
28 35 making and the application of rating systems.

29 1 4. ~~RULES AND REGULATIONS.~~ The commissioner may make  
29 2 reasonable rules necessary to effect the purposes of this  
29 3 chapter.

29 4 5. ~~PROHIBITED RELEASE.~~ A person other than the  
29 5 commissioner or the commissioner's designee shall not release  
29 6 to another person, other than to the servicing insurer of the  
29 7 policy or to the commissioner or the commissioner's designee,  
29 8 experience, payroll, loss data, expiration date of a policy,  
29 9 or classification information without the prior written  
29 10 approval of the policyholder. A violation of this section  
29 11 shall be considered an unfair trade practice pursuant to  
29 12 chapter 507B.

29 13 Sec. 39. Section 515A.17, Code 2007, is amended to read as  
29 14 follows:

29 15 515A.17 PENALTIES.

29 16 1. The commissioner may, if the commissioner finds that  
29 17 any person or organization has violated any provision of this  
29 18 chapter, impose a penalty of not more than fifty one thousand  
29 19 dollars for each such violation, but if the commissioner finds  
29 20 such violation to be willful the commissioner may impose a  
29 21 penalty of not more than five hundred thousand dollars for  
29 22 each such violation. Such penalties may be in addition to any  
29 23 other penalty provided by law.

29 24 2. The commissioner may suspend the license of any rating  
29 25 organization or insurer which fails to comply with an order of  
29 26 the commissioner within the time limited by such order, or any  
29 27 extension thereof which the commissioner may grant. The  
29 28 commissioner shall not suspend the license of any rating  
29 29 organization or insurer for failure to comply with an order  
29 30 until the time prescribed for an appeal therefrom has expired  
29 31 or if an appeal has been taken, until such order has been  
29 32 affirmed. The commissioner may determine when a suspension of  
29 33 license shall become effective and it shall remain in effect

29 34 for the period fixed by the commissioner, unless the  
29 35 commissioner modifies or rescinds such suspension, or until  
30 1 the order upon which such suspension is based is modified,  
30 2 rescinded, or reversed.

30 3 ~~3. No A~~ penalty shall not be imposed and ~~no a~~ license  
30 4 shall not be suspended or revoked except upon a written order  
30 5 of the commissioner, stating the commissioner's findings, made  
30 6 after a hearing held upon not less than ten days' written  
30 7 notice to such person or organization specifying the alleged  
30 8 violation.

30 9 Sec. 40. NEW SECTION. 515A.19A RULES.  
30 10 The commissioner may adopt rules pursuant to chapter 17A as  
30 11 necessary and convenient to administer this chapter.

30 12 Sec. 41. Section 521.16, Code 2007, is amended to read as  
30 13 follows:  
30 14 521.16 APPLICABILITY OF SECTION 521A.3.  
30 15 ~~The For an insurer subject to chapter 521A, the provisions~~  
30 16 of section 521A.3 shall also be applicable to a merger or  
30 17 consolidation subject to this chapter. As used in this  
30 18 section, "insurer" means the same as defined in section  
30 19 521A.1.

30 20 Sec. 42. Section 523A.206, subsection 5, paragraphs a and  
30 21 b, Code Supplement 2007, are amended to read as follows:  
30 22 a. The refusal of a seller, by its officers, directors,  
30 23 employees, or agents, to submit to an examination or to comply  
30 24 with a reasonable written request of an examiner shall  
30 25 constitute grounds for the suspension, revocation, or  
30 26 ~~nonrenewal of denial of an application to renew~~ any license  
30 27 held by the seller to engage in business subject to the  
30 28 commissioner's jurisdiction.

30 29 b. If a seller declines or refuses to submit to an  
30 30 examination as provided in this chapter, the commissioner  
30 31 shall immediately suspend, revoke, or ~~nonrenew deny an~~  
30 32 application to renew any license held by the seller or  
30 33 business to engage in business subject to the commissioner's  
30 34 jurisdiction, and shall report the commissioner's action to  
30 35 the attorney general, who shall immediately apply to the  
31 1 district court for the appointment of a receiver to administer  
31 2 the final affairs of the seller.

31 3 Sec. 43. Section 523A.401, subsection 7, Code Supplement  
31 4 2007, is amended to read as follows:  
31 5 7. The seller of a purchase agreement subject to this  
31 6 chapter which is to be funded by insurance proceeds shall  
31 7 obtain all ~~permits licenses~~ required to be obtained and comply  
31 8 with all reporting requirements under this chapter. A parent  
31 9 company, provider, or seller shall not pledge, borrow from, or  
31 10 otherwise encumber an insurance policy funding a purchase  
31 11 agreement.

31 12 Sec. 44. Section 523A.402, subsection 7, Code Supplement  
31 13 2007, is amended to read as follows:  
31 14 7. The seller of a purchase agreement subject to this  
31 15 chapter which is to be funded by annuity proceeds shall obtain  
31 16 all ~~permits licenses~~ required to be obtained and comply with  
31 17 all reporting requirements under this chapter. A parent  
31 18 company, provider, or seller shall not pledge, borrow from, or  
31 19 otherwise encumber an annuity funding a purchase agreement.

31 20 Sec. 45. Section 523A.405, subsection 8, Code Supplement  
31 21 2007, is amended to read as follows:  
31 22 8. The amount of the surety bond shall equal eighty  
31 23 percent of the payments received pursuant to purchase  
31 24 agreements, or the applicable portion thereof, for cemetery  
31 25 merchandise, funeral merchandise, funeral services, or a  
31 26 combination thereof and the amount needed to adjust the amount  
31 27 of the surety bond for inflation as set by the commissioner  
31 28 based on the consumer price index. The seller shall review  
31 29 the amount of the surety bond no less than annually and shall  
31 30 increase the bond as necessary to reflect additional payments.  
31 31 The amount needed to adjust for inflation shall be added  
31 32 annually to the surety bond during the first quarter of the  
31 33 ~~establishment's seller's~~ fiscal year.

31 34 Sec. 46. Section 523A.501, subsection 3, paragraphs a and  
31 35 b, Code Supplement 2007, are amended to read as follows:  
32 1 a. The commissioner shall request and obtain,  
32 2 notwithstanding section 692.2, subsection 5, criminal history  
32 3 data for any applicant for an initial license issued pursuant  
32 4 to this section, any applicant for reinstatement of a license  
32 5 issued pursuant to this section, or any licensee who is being  
32 6 monitored as a result of ~~a commission order an order of the~~  
32 7 commissioner or agreement resolving an administrative  
32 8 disciplinary action, for the purpose of evaluating the  
32 9 applicant's or licensee's eligibility for licensure or

32 10 suitability for continued practice as a preneed seller. The  
32 11 commissioner shall adopt rules pursuant to chapter 17A to  
32 12 implement this section. The commissioner shall inform the  
32 13 applicant or licensee of the criminal history requirement and  
32 14 obtain a signed waiver from the applicant or licensee prior to  
32 15 submitting a criminal history data request.

32 16 b. A request for criminal history data shall be submitted  
32 17 to the department of public safety, division of criminal  
32 18 investigation, pursuant to section 692.2, subsection 1. The  
32 19 commissioner may also require such applicants or licensees to  
32 20 provide a full set of fingerprints, in a form and manner  
32 21 prescribed by the ~~commission~~ commissioner. Such fingerprints  
32 22 may be submitted to the federal bureau of investigation  
32 23 through the state criminal history repository for a national  
32 24 criminal history check. The commissioner may authorize  
32 25 alternate methods or sources for obtaining criminal history  
32 26 record information. The commissioner may, in addition to any  
32 27 other fees, charge and collect such amounts as may be incurred  
32 28 by the commissioner, the department of public safety, or the  
32 29 federal bureau of investigation in obtaining criminal history  
32 30 information. Amounts collected shall be considered repayment  
32 31 receipts as defined in section 8.2.

32 32 Sec. 47. Section 523A.501, subsection 4, Code Supplement  
32 33 2007, is amended to read as follows:

32 34 4. The commissioner shall request and obtain a financial  
32 35 history for any applicant for an initial license issued  
33 1 pursuant to this section, any applicant for reinstatement of a  
33 2 license issued pursuant to this section, or any licensee who  
33 3 is being monitored as a result of ~~a commission order~~ an order  
33 4 of the commissioner or agreement resolving an administrative  
33 5 disciplinary action, for the purpose of evaluating the  
33 6 applicant's or licensee's eligibility for licensure or  
33 7 suitability for continued practice as a preneed seller.  
33 8 "Financial history" means the record of a person's current  
33 9 loans, the date of a person's loans, the amount of the loans,  
33 10 the person's payment record on the loans, current liens  
33 11 against the person's property, and the person's most recent  
33 12 financial statement setting forth the assets, liabilities, and  
33 13 the net worth of the person.

33 14 Sec. 48. Section 523A.502, subsection 4, paragraphs a and  
33 15 b, Code Supplement 2007, are amended to read as follows:

33 16 a. The commissioner shall request and obtain,  
33 17 notwithstanding section 692.2, subsection 5, criminal history  
33 18 data for any applicant for an initial license issued pursuant  
33 19 to this section, any applicant for reinstatement of a license  
33 20 issued pursuant to this section, or any licensee who is being  
33 21 monitored as a result of ~~a commission order~~ an order of the  
33 22 commissioner or agreement resolving an administrative  
33 23 disciplinary action, for the purpose of evaluating the  
33 24 applicant's or licensee's eligibility for licensure or  
33 25 suitability for continued practice as a sales agent. The  
33 26 commissioner shall adopt rules pursuant to chapter 17A to  
33 27 implement this section. The commissioner shall inform the  
33 28 applicant or licensee of the criminal history requirement and  
33 29 obtain a signed waiver from the applicant or licensee prior to  
33 30 submitting a criminal history data request.

33 31 b. A request for criminal history data shall be submitted  
33 32 to the department of public safety, division of criminal  
33 33 investigation, pursuant to section 692.2, subsection 1. The  
33 34 commissioner may also require such applicants or licensees, to  
33 35 provide a full set of fingerprints, in a form and manner  
34 1 prescribed by the ~~commission~~ commissioner. Such fingerprints  
34 2 may be submitted to the federal bureau of investigation  
34 3 through the state criminal history repository for a national  
34 4 criminal history check. The commissioner may authorize  
34 5 alternate methods or sources for obtaining criminal history  
34 6 record information. The commissioner may, in addition to any  
34 7 other fees, charge and collect such amounts as may be incurred  
34 8 by the commissioner, the department of public safety, or the  
34 9 federal bureau of investigation in obtaining criminal history  
34 10 information. Amounts collected shall be considered repayment  
34 11 receipts as defined in section 8.2.

34 12 Sec. 49. Section 523A.502, subsection 5, Code Supplement  
34 13 2007, is amended to read as follows:

34 14 5. ~~The A~~ sales license shall be renewed every four years  
34 15 by filing the form prescribed by the commissioner under  
34 16 subsection 3, accompanied by a renewal fee in an amount set by  
34 17 the commissioner by rule.

34 18 Sec. 50. Section 523A.603, subsection 2, Code Supplement  
34 19 2007, is amended to read as follows:

34 20 2. If a purchase agreement is funded by a surety bond, the

34 21 purchaser shall receive a notice from the surety company that  
34 22 evidences coverage under the bond, the name of the purchaser  
34 23 or beneficiary, and the amount of coverage. If the purchase  
34 24 agreement is paid with a single payment, the purchaser shall  
34 25 receive notice of the surety bond within sixty days of making  
34 26 the payment. If the purchase agreement is being paid with  
34 27 multiple, periodic payments, the purchaser shall receive  
34 28 notice of the surety bond within sixty days of making the  
34 29 first payment and within sixty days of making the last  
34 30 payment. Compliance with this notice requirement does not  
34 31 require a seller to purchase individual surety bonds for each  
34 32 purchaser and beneficiary. A seller may file a single bond  
34 33 with the commissioner.

34 34 Sec. 51. Section 523A.807, subsection 3, paragraph a, Code  
34 35 Supplement 2007, is amended to read as follows:

35 1 a. Payment of a civil penalty of not more than one  
35 2 thousand dollars for each violation, but not exceeding an  
35 3 aggregate of ten thousand dollars during any six-month period,  
35 4 except that if the commissioner finds that the person knew or  
35 5 reasonably should have known that the person was in violation  
35 6 of such provisions or rules adopted pursuant thereto, the  
35 7 penalty shall be not more than five thousand dollars for each  
35 8 violation, but not exceeding an aggregate of fifty thousand  
35 9 dollars during any six-month period. The commissioner shall  
35 10 assess the penalty on the employer of an individual and not on  
35 11 the individual, if the commissioner finds that the violations  
35 12 committed by the individual were directed, encouraged,  
35 13 condoned, ignored, or ratified by the individual's employer.

35 14 Sec. 52. Section 523A.901, subsection 9, paragraph a,  
35 15 subparagraph (2), subparagraph subdivision (d), Code  
35 16 Supplement 2007, is amended to read as follows:

35 17 (d) The creditor receiving the transfer was an officer, or  
35 18 an employee, attorney, or other person who was in fact in a  
35 19 position of comparable influence in the business of the seller  
35 20 to an officer whether or not the person held the position of  
35 21 an officer, owner, or other person, firm, corporation,  
35 22 association, or aggregation of persons with whom the seller  
35 23 did not deal at arm's length.

35 24 Sec. 53. Section 523I.102, subsection 8, Code Supplement  
35 25 2007, is amended to read as follows:

35 26 8. "Commissioner" means the commissioner of insurance ~~or~~  
35 27 ~~the commissioner's designee authorized in section 523A.801.~~

35 28 Sec. 54. Section 523I.201, subsection 1, Code Supplement  
35 29 2007, is amended to read as follows:

35 30 1. This chapter shall be administered by the commissioner.  
35 31 The commissioner ~~shall~~ may employ officers, attorneys,  
35 32 accountants, and other employees as needed for administering  
35 33 this chapter.

35 34 Sec. 55. Section 508.30, Code 2007, is repealed.

35 35 Sec. 56. EFFECTIVE DATE. The section of this Act amending  
36 1 section 515A.7, Code 2007, being deemed of immediate  
36 2 importance, takes effect upon enactment.

#### 36 3 EXPLANATION

36 4 This bill relates to various matters under the purview of  
36 5 the insurance division of the department of commerce including  
36 6 uniform securities; duties of the insurance division including  
36 7 a consumer advocate bureau and rate reviews; examinations;  
36 8 insurance fraud; the Iowa life and health insurance guaranty  
36 9 association; general agents and third-party administrators;  
36 10 life insurance companies; health maintenance organizations;  
36 11 insurance other than life; workers' compensation liability  
36 12 insurance; consolidation, merger, and reinsurance; cemetery  
36 13 and funeral merchandise and funeral services; and cemeteries.

36 14 UNIFORM SECURITIES ACT. Code section 502.201(9E) is  
36 15 amended to make the terminology consistent with the language  
36 16 contained in Code section 502.102(31A).

36 17 Code section 502.202(9) is amended to provide that certain  
36 18 exchange transactions are exempt from certain registration and  
36 19 notice filing requirements for securities only if approved  
36 20 after hearing by a court or specified government agency or  
36 21 authority.

36 22 Code section 502.402(2)(a) is amended to correct an  
36 23 incorrect citation to the United States Code.

36 24 Code section 502.410(2) is amended to increase the  
36 25 registration or renewal of registration fee for a securities  
36 26 agent from \$30 to \$40 and to appropriate \$10 of that fee to  
36 27 the securities investor education and financial literacy  
36 28 training fund established under Code section 502.601(5). Code  
36 29 section 502.601(4) is amended to expand the investor education  
36 30 initiatives developed and implemented by the insurance  
36 31 division to include financial literacy. Code section

36 32 502.601(5) is amended to coordinate with these changes and to  
36 33 provide that moneys may remain in the fund after the end of  
36 34 the state fiscal year in an amount not exceeding \$500,000,  
36 35 instead of \$200,000.

37 1 INSURANCE DIVISION == CONSUMER ADVOCATE BUREAU == RATE  
37 2 REVIEWS. Code section 505.8, concerning the powers and duties  
37 3 of the commissioner of insurance, is amended to require the  
37 4 commissioner to establish a consumer advocate bureau with the  
37 5 responsibility to ensure fair treatment of consumers by  
37 6 persons in the business of insurance and to prevent unfair or  
37 7 deceptive trade practices in the insurance marketplace. The  
37 8 commissioner is required to make an annual report to the  
37 9 general assembly of findings and recommendations regarding the  
37 10 activities of the consumer advocate bureau.

37 11 Code section 505.8(6) is amended to require the  
37 12 commissioner to keep confidential the information submitted to  
37 13 or obtained by the division in the course of an investigation  
37 14 or inquiry conducted by the consumer advocate bureau and to  
37 15 allow the disclosure of such information to the parties to the  
37 16 complaint or inquiry and in the course of an administrative or  
37 17 judicial proceeding. A coordinating amendment is made to Code  
37 18 section 22.7 to specify that such records are an exception to  
37 19 the Iowa open records law.

37 20 Code section 505.8(10) is also amended to provide that the  
37 21 confidentiality provisions of 505.8(6) apply to information  
37 22 and material obtained by the commissioner pursuant to any  
37 23 investigation made under Code chapter 505.

37 24 Code section 505.15 is amended to specify that the  
37 25 commissioner of insurance may retain attorneys, appraisers,  
37 26 independent actuaries and certified public accountants, and  
37 27 other professionals and specialists to assist the division in  
37 28 conducting rate filing reviews.

37 29 EXAMINATIONS. Code section 507.4 is amended to provide  
37 30 that the commissioner may employ insurance examiners at rates  
37 31 of compensation consistent with current standards in the  
37 32 insurance industry.

37 33 INSURANCE TRADE PRACTICES. Code section 507B.3 is amended  
37 34 by striking provisions relating to the power of the  
37 35 commissioner to examine, investigate, and obtain information  
38 1 on persons engaged in the business of insurance in this state  
38 2 about prohibited insurance trade practices. These powers are  
38 3 now included in new provisions contained in Code section  
38 4 505.8(5A) and (6).

38 5 INSURANCE FRAUD. Code section 507E.6 is amended to require  
38 6 an insurer who believes that an application for insurance  
38 7 contains fraudulent submissions to report such a violation to  
38 8 the consumer fraud bureau of the insurance division for  
38 9 investigation. This amendment conforms this Code section to  
38 10 the language contained in Code section 507E.3 concerning  
38 11 fraudulent submissions.

38 12 IOWA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION. Code  
38 13 section 508C.3(2) is amended to provide that for the purposes  
38 14 of coverage under this Code chapter, long-term care insurance  
38 15 and disability insurance policies are covered as health  
38 16 insurance policies.

38 17 Code section 508C.6(1)(c) and (d) are amended to provide  
38 18 that certain deferred compensation plans are covered under the  
38 19 guaranty association's annuity account.

38 20 Code section 508C.8(8) is amended by rewriting the  
38 21 subsection to increase the obligation of the guaranty  
38 22 association to cover contractual obligations of impaired or  
38 23 insolvent insurers. The association's liability is limited to  
38 24 the lesser of what the insurer is liable or would have been  
38 25 liable for if the insurer was not impaired or insolvent, or  
38 26 specified statutory limitations based on the type of benefits  
38 27 or plan.

38 28 Code section 508C.8(9) is amended to expand the  
38 29 association's coverage of certain claims by striking a  
38 30 limitation on when such claims must accrue in order to be  
38 31 covered or paid.

38 32 VIATICAL SETTLEMENT CONTRACTS. New Code section 508E.5  
38 33 provides that all information filed with the commissioner  
38 34 pursuant to the requirements of this chapter and its  
38 35 implementing rules constitutes a public record that is open  
39 1 for public inspection.

39 2 GENERAL AGENTS AND THIRD-PARTY ADMINISTRATORS. Code  
39 3 section 510.5(1) is amended to remove an inaccurate reference  
39 4 to triennial examination of insurers.

39 5 LIFE INSURANCE COMPANIES AND ASSOCIATIONS. Code section  
39 6 511.8(6) is amended to allow a life insurance company to  
39 7 invest in preferred stocks only if at the date of their

39 8 acquisition the stocks have specified earnings and preferred  
39 9 dividends, unless the issuing corporation documents at the  
39 10 date of their acquisition that such stocks have investment  
39 11 qualities and characteristics where the speculative elements  
39 12 are not predominant.

39 13 Code section 511.8(9) is amended to make references to  
39 14 federal and Canadian statutes as of a fixed date, update  
39 15 references to legislation, and add references to statutes  
39 16 creating the federal national mortgage association.

39 17 Code section 511.8(22) is amended by adding a definition of  
39 18 "government-sponsored enterprise". Code section 511.8(22) is  
39 19 also amended to allow a life insurance company to invest in  
39 20 certain financial instruments used in hedging transactions  
39 21 that are obligations of or obligations guaranteed by a United  
39 22 States government-sponsored enterprise which on the date they  
39 23 are pledged as collateral are adequately secured and have  
39 24 investment qualities and characteristics where the speculative  
39 25 elements are not predominant.

39 26 HEALTH MAINTENANCE ORGANIZATIONS. New Code section  
39 27 514B.17A allows a health maintenance organization to rescind  
39 28 an enrollee's membership for making a material false statement  
39 29 or misrepresentation in the enrollee's application for  
39 30 membership upon written notice to the enrollee and allows  
39 31 appeal of the rescission. An enrollee's membership cannot be  
39 32 rescinded for these reasons more than two years after the date  
39 33 of enrollment.

39 34 UTILIZATION AND COST CONTROL. New Code section 514F.6  
39 35 requires the commissioner to adopt rules to provide for the  
40 1 retrospective payment of clean claims for covered services  
40 2 provided by a physician during the time before a physician's  
40 3 application for credentialing has been approved by a health  
40 4 insurer. Credentialing is an insurance process through which  
40 5 a health insurer makes a determination concerning whether a  
40 6 physician is eligible to provide health care services to an  
40 7 insured to receive reimbursement from the insurer.

40 8 EXTERNAL REVIEW OF HEALTH CARE COVERAGE DECISIONS. Code  
40 9 section 514J.3 is amended to provide that claims for dental  
40 10 insurance coverage are subject to external review  
40 11 requirements.

40 12 INSURANCE OTHER THAN LIFE. Code section 515.103(2) is  
40 13 amended to allow an insurer to consider the absence of credit  
40 14 information or the inability to calculate an insurance score  
40 15 in underwriting or rating personal insurance, if the insurer  
40 16 treats the consumer as if the consumer has neutral credit  
40 17 information, and this results in underwriting or rating the  
40 18 consumer the same as if the consumer had an average credit  
40 19 rating or insurance score, or if the insurer in underwriting  
40 20 excludes the use of credit information as an underwriting  
40 21 factor and only uses other underwriting criteria.

40 22 WORKERS' COMPENSATION LIABILITY INSURANCE. Code section  
40 23 515A.2(1) is amended to define "schedule rating plan".

40 24 Code section 515A.3(1) is amended to remove an outdated  
40 25 reference and references to insurance other than workers'  
40 26 compensation insurance.

40 27 Code section 515A.4, concerning rate filings, is amended to  
40 28 remove references to insurance other than workers'  
40 29 compensation insurance, to specify that a filing is not deemed  
40 30 complete or available for use by an insurer until all required  
40 31 information is furnished, and to specify that a filing is  
40 32 deemed complete unless disapproved by the commissioner of  
40 33 insurance within the waiting period or an extension thereof.

40 34 Code section 515A.5, concerning disapproval of rate  
40 35 filings, is amended to allow the notices of disapproval to be  
41 1 sent to insurers or rating organizations electronically, to  
41 2 remove a reference to insurance other than workers'  
41 3 compensation insurance, and to allow the commissioner to hold  
41 4 a hearing to determine whether the filing meets all  
41 5 requirements upon notice specifying the matters to be  
41 6 considered at the hearing.

41 7 Code section 515A.6(1) is amended to increase the license  
41 8 fee for rating organizations from \$25 to \$100.

41 9 Code section 515A.6(7) is amended to provide that the  
41 10 commissioner of insurance shall provide notice of the filing  
41 11 of proposed rates on the internet web site of the insurance  
41 12 division instead of in the Iowa administrative bulletin.

41 13 Code section 515A.6(7) is also amended to add new  
41 14 provisions allowing the commissioner to approve or disapprove  
41 15 proposed rates unless there is a request for hearing, and  
41 16 specifying that the waiting period for an insurance rate  
41 17 filing shall commence no earlier than the date the notice of  
41 18 the rate filing is published.

41 19 Code section 515A.7 is amended to require an insurer to  
41 20 file rather than apply for approval of a deviation from its  
41 21 class rates, schedules, rating plans, or rules, and to require  
41 22 the commissioner to approve such a filing rather than issuing  
41 23 an order of approval. A provision requiring a filed deviation  
41 24 to remain in effect for a period of not less than one year  
41 25 from the effective date unless withdrawn or terminated is  
41 26 stricken. The bill specifies what filings for approval of  
41 27 deviations and schedule rating plan modifications may contain,  
41 28 allows the commissioner to adopt rules to limit such  
41 29 deviations and modifications, and requires that all dividends  
41 30 be paid upon loss sensitivity, meaning the profitability of  
41 31 the policyholder individually or as a member of a homogenous  
41 32 group. This provision of the bill takes effect upon  
41 33 enactment.

41 34 Code section 515A.8 is amended to conform terminology used  
41 35 in the Code section.

42 1 Code section 515A.13 is amended to make the format  
42 2 consistent with other Code sections in the Code chapter.

42 3 Code section 515A.17 is amended by increasing the penalty  
42 4 for a violation of this Code chapter to not more than \$1,000  
42 5 instead of \$50 for one violation, and not more than \$5,000  
42 6 instead of \$500 for each willful violation.

42 7 New Code section 515A.19A gives the commissioner of  
42 8 insurance the authority to adopt rules pursuant to Code  
42 9 chapter 17A as necessary and convenient to administer Code  
42 10 chapter 515A.

42 11 CONSOLIDATION, MERGER, AND REINSURANCE. Code section  
42 12 521.16 is amended to specify that the submission requirements  
42 13 of Code section 521A.3 are only applicable to insurers that  
42 14 are subject to Code chapter 521A, insurance holding company  
42 15 systems.

42 16 CEMETERY AND FUNERAL MERCHANDISE AND FUNERAL SERVICES.  
42 17 Code section 523A.206(5) is amended to replace use of the term  
42 18 "nonrenewal" or "nonrenew" with the words "denial of any  
42 19 application to renew".

42 20 Code section 523A.401(7) is amended to correct a reference  
42 21 to a "permit" instead of a "license" and to prohibit a parent  
42 22 company of a seller, a seller, or a provider from pledging,  
42 23 borrowing from, or otherwise encumbering an insurance policy  
42 24 that funds a purchase agreement for cemetery and funeral  
42 25 merchandise, and funeral services.

42 26 Code section 523A.402(7) is amended to correct a reference  
42 27 to a "permit" instead of a "license" and to prohibit a parent  
42 28 company of a seller, a seller, or a provider from pledging,  
42 29 borrowing from, or otherwise encumbering an annuity that funds  
42 30 such a purchase agreement.

42 31 Code section 523A.405(8) is amended to correct terminology  
42 32 to make it consistent with the rest of the Code chapter.

42 33 Code sections 523A.501(3), 523A.501(4), and 523A.502(4) are  
42 34 amended to make terminology more accurate and consistent with  
42 35 the rest of the Code chapter.

43 1 Code section 523A.603(2) is amended to make the language  
43 2 consistent with that contained in Code section 523A.601(6).

43 3 Code section 523A.807(3) is amended with a technical  
43 4 correction.

43 5 Code section 523A.901(9) is amended with a technical  
43 6 correction.

43 7 IOWA CEMETERY ACT. Code section 523I.102(8) removes an  
43 8 incorrect internal reference.

43 9 Code section 523I.201(1) is amended to make it consistent  
43 10 with similar language contained in Code section 523A.801(1).

43 11 LIFE INSURANCE COMPANIES. Code section 508.30 is repealed  
43 12 because it is no longer applicable.

43 13 LSB 5431XD 82

43 14 av/nh/5.1